

**Creek County Rural Water District No. 1
Kellyville, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2021

Audited by

**BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

BROKEN ARROW, OK

Creek County Rural Water District No. 1
Kellyville, Oklahoma
Board of Directors
December 31, 2021

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Creek County Rural Water District No. 1
Kellyville, Oklahoma
December 31, 2021

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Board of Directors | 1 |
| Table of Contents | 2 |
| Independent Auditor's Report | 3 |
| Management's Discussion and Analysis | 5 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 9 |
| Disposition of Prior Year's Significant Deficiencies | 11 |
| Schedule of Audit Results | 12 |
| <u>COMBINED FINANCIAL STATEMENTS:</u> | |
| Statement of Net Position | 13 |
| Statement of Revenues, Expenses and Changes in Net Position | 14 |
| Statement of Cash Flows | 15 |
| Notes to Financial Statements | 16 |
| <u>OTHER SUPPLEMENTARY INFORMATION:</u> | |
| Schedule of Expenditures of Federal Awards | 23 |
| Schedule of Water Rates and Customers (unaudited) | 24 |



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Creek County Rural Water District No. 1
Kellyville, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Creek County Rural Water District No. 1 (the District), Kellyville, Oklahoma, as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2021 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the District's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year "memorandum only" comparative information and the supplementary information on page 24 presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

July 22, 2022

RURAL WATER DISTRICT NO. 1, CREEK COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

Our discussion and analysis of the Rural Water District No. 1, Creek County's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2021. Please read it in conjunction with the District's financial statements that begin on page 13.

FINANCIAL HIGHLIGHTS:

- The District's total operating revenues exceeded total operating expenditures by \$264,688. Overall, the District's total net position increased by \$971,701 in the current fiscal year.
- The Water Plant supplied a total of 503,737,000 gallons of water in 2021.
- The District sold 35 new taps in 2021, making a total of 2,747 total benefit units in the District.
- In 2019, the District was approved by USDA Rural Development for a \$3,400,000 loan and a \$1,484,000 grant to assist in water system improvements. All the loan proceeds have been received, and \$944,901 of the grant proceeds have been received through December 31, 2021.

Using This Report

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

Basis of Accounting

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

The Financial Statements

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net position, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District's net position and the changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District's water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

Net Position, and Changes in Net Position

The District's Net Position was higher in 2021, increasing from \$6,848,974 to \$7,845,375. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District's business-type activities.

Table 1 – Net Position:

| | 2021 | 2020 | Variances |
|--------------------------------|----------------------|-------------------|------------------|
| Current and other assets | \$ 3,030,028 | 2,436,567 | 593,461 |
| Capital assets, net | 8,310,136 | 7,897,387 | 412,749 |
| Total Assets | <u>\$ 11,340,164</u> | <u>10,333,954</u> | <u>1,006,210</u> |
| Current liabilities | \$ 182,012 | 89,024 | (92,988) |
| Long-term liabilities | 3,312,777 | 3,371,256 | 58,479 |
| Total Liabilities | <u>\$ 3,494,789</u> | <u>3,460,280</u> | <u>(34,509)</u> |
| Invest. In capital assets, net | | | |
| of related debt | \$ 4,997,359 | 4,526,131 | 471,228 |
| Restricted | 121,188 | 121,188 | - |
| Unrestricted | 2,726,828 | 2,226,355 | 500,473 |
| Total Net Position | <u>\$ 7,845,375</u> | <u>6,873,674</u> | <u>971,701</u> |

Net Position of the District increased by 14.1 percent (\$7,845,375 compared to \$6,873,674). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$2,226,355 to \$2,726,828.

Table 2 – Changes in Net Position:

| | <u>2021</u> | <u>2020</u> | <u>Variances</u> |
|-------------------------------|---------------------|------------------|------------------|
| Revenues: | | | |
| Charges for services | \$ 2,348,758 | 2,155,788 | 192,970 |
| Insurance reimbursements | 12,479 | 120,150 | (107,671) |
| Proceeds from pension annuity | - | 229,000 | (229,000) |
| Other income and fees | 12,750 | 6,150 | 6,600 |
| Grant proceeds | 684,594 | 260,308 | 424,286 |
| Interest | 16,517 | 23,673 | (7,156) |
| Total Revenues | <u>\$ 3,075,098</u> | <u>2,795,069</u> | <u>280,029</u> |
| Expenses: | | | |
| Salaries, taxes and benefits | \$ 482,209 | 427,229 | (54,980) |
| Maintenance and repairs | 355,006 | 252,020 | (102,986) |
| Chemicals | 478,767 | 520,466 | 41,699 |
| Other expenses | 417,899 | 416,994 | (905) |
| Depreciation/amortization | 306,807 | 352,926 | 46,119 |
| Interest on loan | 62,709 | 84,812 | 22,103 |
| Pension distribution | - | 228,892 | 228,892 |
| Total Expenses | <u>\$ 2,103,397</u> | <u>2,283,339</u> | <u>179,942</u> |
| Changes in Net Position | 971,701 | 511,730 | 459,971 |
| Net Position, Beginning | <u>6,873,674</u> | <u>6,361,944</u> | <u>511,730</u> |
| Net Position, Ending | <u>\$ 7,845,375</u> | <u>6,873,674</u> | <u>971,701</u> |

The District's total revenues increased by 10.0 percent (\$280,029). The total cost of all services decreased by 7.9 percent (\$179,942). These changes are mainly due to the grant proceeds received and the pension liquidation in 2020.

Capital Assets

At December 31, 2021 the District had \$8,310,136 invested in capital assets, net of depreciation, including land, the water system, vehicles, equipment and lines. Additional capital assets of \$717,668 were added during the 2021 fiscal year, which was the continuation of the water treatment plant rehabilitation and expansion, transmission pipeline and treatment plant site piping, storage tank project and storage tank recoating – all part of the USDA loan/grant project.

Long-Term Debt

In 2020, the District received additional loan proceeds from BancFirst for the water improvement projects. In June 2020, the District received the \$3,400,000, 1.875% interest, 40 year loan funds from USDA/Rural Development, and paid off the BancFirst loan with these proceeds. The District began making payments to Rural Development in June 2020. At December 31, 2021 the outstanding principal balance on the notes are \$3,312,777.

USDA/Rural Development Grant

In 2019, the District was approved for a \$1,484,000 grant to use for the water improvement projects. In 2020, the District received \$260,308 of grant funds for these projects and in 2021 the District received \$684,594 of grant funds.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending December 31, 2022 the District's projected budget is fairly consistent with the 2021 fiscal year.

For the fiscal year 2022, the District may have to again increase rates to users to meet demands if the cost of water purchased and everyday expenses are substantially increased. If demand is increased on existing lines and equipment, or additional memberships are substantially increased, it may be necessary for the District to incur some long-term debt to meet these demands. As of the date of this report, none of these situations are probable for the 2022 year.

Contacting the District

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Office at P.O. Box 406, Kellyville, OK 74039, or call (918) 247-6465.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Creek County Rural Water District No. 1
Kellyville, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Creek County Rural Water District No. 1 (the District), Kellyville, Oklahoma, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 22, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting in order to determine our auditing procedures that are appropriate for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant

deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in the internal controls that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

July 22, 2022

CREEK COUNTY RURAL DISTRICT NO. 1
Disposition of Prior Year's Significant Deficiencies
December 31, 2021

There were no prior year significant deficiencies.

CREEK COUNTY RURAL WATER DISTRICT NO. 1
Schedule of Audit Results
December 31, 2021

Section 1 – Summary of Auditor’s Results

1. An unmodified opinion report was issued on the financial statements.
2. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

NONE

CREEK COUNTY RURAL WATER DISTRICT NO. 1
Statement of Net Position
December 31, 2021

| | <u>2021</u> | <u>-Memorandum- -Only- 2020</u> |
|---|-----------------------------|---|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash | \$ 763,639 | 267,166 |
| Investments | 1,884,136 | 1,868,337 |
| Accounts receivable | 94,696 | 96,270 |
| Accrued interest receivable | 4,793 | 4,680 |
| Inventory | 168,659 | 124,408 |
| Prepaid expenses | 41,832 | 22,946 |
| Total current assets | <u>2,957,755</u> | <u>2,383,807</u> |
| Capital Assets: | | |
| Land | 8,249 | 8,249 |
| Plant and distribution system | 12,181,852 | 11,464,184 |
| Trucks and vehicles | 310,097 | 310,097 |
| Buildings | 101,174 | 101,174 |
| Furniture and equipment | 35,704 | 35,704 |
| Other equipment | 140,524 | 140,524 |
| Total capital assets | <u>12,777,600</u> | <u>12,059,932</u> |
| Less: accumulated depreciation | <u>(4,467,464)</u> | <u>(4,162,545)</u> |
| Total capital assets (net) | <u>8,310,136</u> | <u>7,897,387</u> |
| Other Assets: | | |
| Loan costs, less amortization | <u>72,273</u> | <u>52,760</u> |
| TOTAL ASSETS | <u>\$ 11,340,164</u> | <u>10,333,954</u> |
| <u>LIABILITIES</u> | | |
| Current Liabilities: | | |
| Accounts payable | \$ 161,240 | 68,252 |
| Refundable deposits | 20,772 | 20,772 |
| Notes Payable | <u>3,312,777</u> | <u>3,371,256</u> |
| Total Liabilities | <u>3,494,789</u> | <u>3,460,280</u> |
| <u>NET POSITION</u> | | |
| Net investment in capital assets | 4,997,359 | 4,526,131 |
| Restricted assets | 121,188 | 121,188 |
| Unrestricted assets | <u>2,726,828</u> | <u>2,226,355</u> |
| Total Net Position | <u>7,845,375</u> | <u>6,873,674</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 11,340,164</u> | <u>10,333,954</u> |

The accompanying notes to the financial statements are an integral part of this statement

CREEK COUNTY RURAL WATER DISTRICT NO. 1
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended December 31, 2021

| | <u>2021</u> | <u>-Memorandum- -Only- 2020</u> |
|---|---------------------|---|
| Operating Revenues: | | |
| Water sales | \$ 2,241,437 | 2,100,987 |
| Lease revenue | 7,680 | 7,320 |
| Installations and connections | 43,141 | 8,481 |
| Other income and fees | 12,750 | 6,150 |
| Total revenues from operations | <u>2,305,008</u> | <u>2,122,938</u> |
| Operating Expenses: | | |
| Backhoe and hauling | 5,150 | 15,490 |
| Chemicals | 478,767 | 520,466 |
| Professional fees | 46,334 | 27,451 |
| Fittings, meters and connections | 256,596 | 169,226 |
| Franchise and storage | 37,097 | 26,046 |
| Insurance, general | 49,706 | 44,607 |
| Insurance, health | 120,136 | 154,813 |
| Office and postage | 19,687 | 16,476 |
| Maintenance and repairs | 93,260 | 82,794 |
| Retirement | 86,098 | 32,052 |
| Salaries and taxes | 396,111 | 395,177 |
| Vehicles | 28,325 | 21,968 |
| Utilities | 108,108 | 105,843 |
| Miscellaneous | 8,506 | 4,300 |
| Depreciation/amortization | 306,807 | 352,926 |
| Total expenses from operations | <u>2,040,688</u> | <u>1,969,635</u> |
| Operating Income (Loss) | 264,320 | 153,303 |
| Non-Operating Revenues (Expenses): | | |
| Interest income | 16,517 | 23,673 |
| Benefit units | 56,500 | 39,000 |
| Proceeds from pension annuity | 0 | 229,000 |
| Insurance reimbursements | 12,479 | 120,150 |
| USDA grant proceeds | 684,594 | 260,308 |
| Pension distribution | 0 | (228,892) |
| Interest paid on debt | (62,709) | (84,812) |
| Total non-operating revenues (expenses) | <u>707,381</u> | <u>358,427</u> |
| Change in Net Position | 971,701 | 511,730 |
| Total Net Position, beginning of period | <u>6,873,674</u> | <u>6,361,944</u> |
| Total Net Position, end of period | <u>\$ 7,845,375</u> | <u>6,873,674</u> |

The accompanying notes to the financial statements are an integral part of this statement

CREEK COUNTY RURAL WATER DISTRICT NO. 1
Statement of Cash Flows
For Year Ended December 31, 2021

| | 2021 | -Memorandum- -Only- 2020 |
|--|----------------------------|--------------------------------|
| Cash Flows from Operating Activities: | | |
| Receipts from customers | \$ 2,306,582 | 2,107,285 |
| Payments to employees | (482,209) | (427,229) |
| Payments to vendors | (1,221,821) | (1,162,087) |
| Net Cash Provided by Operating Activities | <u>602,552</u> | <u>517,969</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Refundable deposits | 0 | (1,500) |
| Proceeds from pension annuity | 0 | 229,000 |
| USDA grant proceeds | 684,594 | 260,308 |
| Loan proceeds (USDA and BancFirst) | 0 | 4,672,887 |
| Additions to capital assets | (717,668) | (3,229,519) |
| Principal paid on loan | (58,479) | (2,886,993) |
| Interest paid on loan | (62,709) | (84,812) |
| Loan costs paid, to be amortized | (21,401) | (54,112) |
| Insurance reimbursements | 12,479 | 120,150 |
| Pension distribution | 0 | (228,892) |
| Net cash provided by (used in) capital and related financing activities | <u>(163,184)</u> | <u>(1,203,483)</u> |
| Cash Flows from Investing Activities: | | |
| Benefit units | 56,500 | 39,000 |
| Interest revenue | 16,404 | 22,248 |
| Net cash provided by (used in) investing activities | <u>72,904</u> | <u>61,248</u> |
| Net Increase (Decrease) in Cash and Equivalents | 512,272 | (624,266) |
| Cash and cash equivalents, beginning of period | <u>2,135,503</u> | <u>2,759,769</u> |
| Cash and cash equivalents, end of period | <u><u>\$ 2,647,775</u></u> | <u><u>2,135,503</u></u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating Income (loss) | \$ 264,320 | 153,303 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation and Amortization Expense | 306,807 | 352,926 |
| (Increase) decrease in accounts receivable | 1,574 | (14,153) |
| (Increase) decrease in inventory | (44,251) | (5,924) |
| (Increase) decrease in prepaid expenses | (18,886) | 1,426 |
| Increase (decrease) in accounts payable | 92,988 | 30,391 |
| Net Cash Provided by Operating Activities | <u><u>\$ 602,552</u></u> | <u><u>517,969</u></u> |

The accompanying notes to the financial statements are an integral part of this statement

CREEK COUNTY RURAL WATER DISTRICT NO. 1
Notes to Financial Statements
December 31, 2021

Note A – Significant Accounting Policies

Organization

Creek County Rural Water District No. 1 (the District) is an Oklahoma non-profit water district organized under Title 82 of Oklahoma Statutes to provide water service to rural residents of Creek County, Oklahoma. The District is considered a political subdivision of the State of Oklahoma.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles. The District has also complied with GASB Statement No. 34 financial reporting requirements.

Reporting Entity

The District is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost of providing water services is financed through user charges. The District produces its own water supply and sells water to Creek County Rural Water Districts 2 and 3.

Cash

The District's accounts are with the American Heritage Bank, Sapulpa, Oklahoma, and are detailed as follows:

| | December 31, | |
|------------------------------|-------------------|----------------|
| | 2021 | 2020 |
| Cash on hand | \$ 300 | 300 |
| Petty cash | 300 | 300 |
| Operation and Maint. Account | 805,000 | 339,556 |
| Pension Plan Account | 6,803 | 6,803 |
| Add: Deposits in transit | - | - |
| Less: Outstanding checks | (48,764) | (79,793) |
| Total | <u>\$ 763,639</u> | <u>267,166</u> |

CREEK COUNTY RURAL WATER DISTRICT NO. 1
Notes to Financial Statements
December 31, 2021

Note A – Significant Accounting Policies – cont'd

Cash and Cash Equivalents

For the purposes of preparing the statement of cash flows, cash on hand, reconciled cash in savings and checking, and certificates of deposit that can be converted into cash (if necessary) are considered cash equivalents.

Investments

The District had the following outstanding investments at December 31, 2021:

| | |
|--|----------------------------|
| Spirit Bank- | |
| Certificate of Deposit no. 300110162 | \$ 16,129 |
| Certificate of Deposit no. 300192777 | 16,129 |
| Certificate of Deposit no. 300135785 | 62,503 |
| Community Bank- | |
| Money Market Account | 10,043 |
| Certificate of Deposit no. 23628 (reserve) | 224,416 |
| Certificate of Deposit no. 23950 | 213,499 |
| Certificate of Deposit no. 23951 | 213,499 |
| Certificate of Deposit no. 24004 | 86,235 |
| Certificate of Deposit no. 24005 | 86,235 |
| Certificate of Deposit no. 23550 | 71,953 |
| Certificate of Deposit no. 24000 | 25,125 |
| Certificate of Deposit no. 24001 | 25,125 |
| BancFirst- | |
| Certificate of Deposit no. 331000112 | 249,877 |
| American Heritage Bank- | |
| Savings Account | 406,616 |
| Certificate of Deposit no. 100021039 | 88,376 |
| Certificate of Deposit no. 100003141 | 88,376 |
| Total Investments | <u><u>\$ 1,884,136</u></u> |

Custodial Credit Risk - At December 31, 2021, the District held deposits of approximately \$2,214,696 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

CREEK COUNTY RURAL WATER DISTRICT NO. 1
Notes to Financial Statements
December 31, 2021

Note A – Significant Accounting Policies – cont'd

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Fair Value of Financial Instruments – The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair values because of the short maturity of these instruments.

Accounts Receivable

Billings for accounts receivable at December 31, 2021 were \$94,696. Allowance for doubtful accounts was not computed on this balance because uncollectibles do not have a material effect on the balance sheet.

Federal Income Tax

The District is exempt from Federal and State income taxes.

Accumulated Unpaid Vacation and Sick Pay

At December 31, 2021, no determination of the aggregate dollar value of vacation or sick pay had been made.

Memorandum Totals

The "Memorandum Only" captions above the columns mean that amounts are presented for comparative and information purposes only.

CREEK COUNTY RURAL WATER DISTRICT NO. 1
Notes to Financial Statements
December 31, 2021

Note A – Significant Accounting Policies – cont’d

Capital Assets

Any items purchased or constructed in excess of \$1,000 and has a useful life of over two years is considered a capital (fixed) asset by the District and will be depreciated over a specific time. The capital asset information for the District is shown below:

| | 12/31/2020 | | | 12/31/2021 |
|-----------------------------------|---------------------|----------------|-----------|------------------|
| | Amount | Additions | Deletions | Amount |
| Land | \$ 8,249 | - | - | 8,249 |
| Plant and dist. system | 11,464,184 | 717,668 | - | 12,181,852 |
| Trucks and equipment | 310,097 | - | - | 310,097 |
| Buildings | 101,174 | - | - | 101,174 |
| Office furn. & equip. | 35,704 | - | - | 35,704 |
| Other equipment | 140,524 | - | - | 140,524 |
| Total Capital Assets | 6,626,200 | 717,668 | - | 12,777,600 |
| Less: Accumulated Depreciation | (4,162,545) | (304,919) | - | (4,467,464) |
| Total | <u>\$ 2,463,655</u> | <u>412,749</u> | <u>-</u> | <u>8,310,136</u> |

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) laws through constitutional provisions of enabling legislation.
3. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

CREEK COUNTY RURAL WATER DISTRICT NO. 1
Notes to Financial Statements
December 31, 2021

Note B – Long-Term Debt

Long-Term Debt consists of two notes:

1. Rural Development 91-01 - The District has a 2020 promissory note in the amount of \$2,949,000 with Rural Development for a period of 40 years. The District makes monthly principal and interest payments of \$8,759. The fixed interest rate on this note is 1.875%. The water system and future water revenues are used as security for this note.
2. Rural Development 91-03 - The District has a 2020 promissory note in the amount of \$451,000 with Rural Development for a period of 40 years. The District makes monthly principal and interest payments of \$1,340. The fixed interest rate on this note is 1.875%. The water system and future water revenues are used as security for this note.

| | <u>December 31,</u> | |
|--|----------------------------|-------------------------|
| | <u>2021</u> | <u>2020</u> |
| Rural Development 91-01 note payable, dated 2020, issued for \$2,949,000, at 1.875% interest, due in monthly installments, until paid; | \$ 2,873,354 | 2,924,071 |
| Rural Development 91-03 note payable, dated 2020, issued for \$451,000, at 1.875% interest, due in monthly installments, until paid; | <u>439,423</u> | <u>447,185</u> |
| Long-Term Debt Outstanding | 3,312,777 | 3,371,256 |
| Less: Current maturities of long-term debt | <u>(59,586)</u> | <u>(1,585,372)</u> |
| Total Long-Term Debt, Net | <u><u>\$ 3,253,191</u></u> | <u><u>1,785,884</u></u> |

CREEK COUNTY RURAL WATER DISTRICT NO. 1
Notes to Financial Statements
December 31, 2021

Note B – Long-Term Debt

The scheduled maturities for the next four years, and in total thereafter, are detailed as follows:

| <u>Year</u> | <u>Total</u> | <u>RD 91-01</u> | <u>RD 91-03</u> |
|-------------|---------------------|------------------|-----------------|
| 2022 | \$ 59,586 | 51,677 | 7,909 |
| 2023 | 60,712 | 52,654 | 8,058 |
| 2024 | 61,861 | 53,650 | 8,211 |
| 2025 | 63,030 | 54,664 | 8,366 |
| 2026-30 | 333,490 | 289,226 | 44,264 |
| 2031-35 | 366,240 | 317,629 | 48,611 |
| 2036-40 | 402,207 | 348,822 | 53,385 |
| 2041-45 | 441,705 | 383,078 | 58,627 |
| 2046-50 | 485,083 | 420,698 | 64,385 |
| 2051-55 | 532,720 | 462,012 | 70,708 |
| 2056-60 | 506,143 | 439,244 | 66,899 |
| Total | <u>\$ 3,312,777</u> | <u>2,873,354</u> | <u>439,423</u> |

Restricted Assets

The Rural Development loan agreements require the District to set aside funds into a Reserve Account equal to the amounts to be paid in a given year on these notes, which is \$105,108 for Note 91-01 and \$16,080 for Note 91-03. Once the required reserve balances are met, no further deposits are required to be held, except to replace withdrawals. As of December 31, 2021, the required balance for the reserve account was \$121,188, which is the required balance, represented by CD no. 23628 at Community Bank. This balance is showed as part of investments on the financial statements and showed as a restricted net position.

Note C – Insurance and Surety Bond Coverage

The District appears to have had adequate insurance to cover all major perils at December 31, 2021.

CREEK COUNTY RURAL WATER DISTRICT NO. 1
Notes to Financial Statements
December 31, 2021

Note D – Retirement Plan

The District has a noncontributory defined benefit pension plan covering all employees 20.5 years old after six months of employment. Plan benefits are 2% of compensation times years of service. Minimum retirement age is 65, minimum years of participation is five years. The plan pays a pre-retirement death benefit that is the greater of the insurance or the present value of the accrued benefit. Vesting is; 2 years – 20%, 3 years – 40%, 4 years – 60%, 5 years – 80%, 6 years – 100%. Funding of the pension plan is through individual insurance and annuity contracts. The actuarial assumptions used to compute contributions are the same as used to compute pension obligations. For the plan year ended February 28, 2021 (the latest available) the reported total payroll was \$348,935, the total reported payroll for participants was \$348,935. Contributions to the plan were \$47,879, or 13.7% of payroll.

Note E – Subsequent Events

Management has evaluated subsequent events through July 22, 2022, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

CREEK COUNTY RURAL WATER DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

| <u>Federal Grantor / Pass Through Grantor / Program Title</u> | <u>Federal CFDA Number</u> | <u>Program or Award Amount</u> | <u>Balance at 1/1/21</u> | <u>Revenue Collected</u> | <u>Total Expenditures</u> | <u>Balance at 12/31/21</u> |
|---|--------------------------------|------------------------------------|------------------------------|------------------------------|-------------------------------|--------------------------------|
| <u>U.S. Department of Agriculture</u> | | | | | | |
| <u>Direct Programs:</u> | | | | | | |
| USDA Loan/Grant | 10.766 | <u>\$ 4,884,000</u> | <u>(1,126,583)</u> | <u>684,594</u> | <u>739,069</u> | <u>(387,514)</u> |

CREEK COUNTY RURAL DISTRICT NO. 1
Schedule of Water Rates and Customers
-Unaudited Information-
December 31, 2021

Water Rates

\$22.00 minimum
\$5.50 per 1,000 gallons after

Water Loss

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Total gallons pumped | 503,737,000 | 492,767,589 |
| Total gallons sold to District customers | <u>(477,997,241)</u> | <u>(460,322,743)</u> |
| Total water loss | <u>25,739,759</u> | <u>32,444,846</u> |
| Percentage of water loss | <u>5.11%</u> | <u>6.58%</u> |

Customers

The District had 2,747 taps at the close of the fiscal year.

Current membership (benefit unit) cost is \$2,000 for a 5/8" meter setting.